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Message Text

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PAGE 01 MANILA 03942 061606 Z

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ACTION OPIC-12

INFO OCT-01 EA-11 ADP-00 EB-11 COME-00 TRSE-00 OMB-01 L-03

SS-15 NSC-10 CIEP-02 H-02 IGA-02 AID-20 /090 W
---------- 130237
R 060918 Z APR 73
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 4294
INFO AMEMBASSY BANGKOK

UNCLAS MANILA 3942

FOR PRICE OPIC UP FROM MIDDLETON
BANGKOK FOR MIDDLETON

E. O. 11652: N/ A
TAGS: BGEN, EFIN, RP
SUBJ: OPIC: A) CONTRACTOR FOREIGN GOVERNMENT APPROVAL (FGA) IN PHILIPPINES; B) FGA FOR PHILIPPINE GEOTHERMAL INC (PGI)

REF: DEPARTMENT' S A-12386, DEC 23, 197 2

1. EMBASSY HAS RECEIVED NOTE FROM DEPARTMENT OF FOREIGN AFFAIRS DATED MARCH 22 REPLYING TO EMBASSY NOTES REGARDING SPECIAL PROCEDURE FOR FOREIGN GOVERNMENT APPROVAL (FGA) OF CONSTRUCTION CONTRACTS FOR INSURANCE PURPOSES. NOTE STATES GOP VIEW THAT " WHILE A PROJECT MAY BE APPROVED BY THE HOST GOVERNMENT IT MAY NOT NECESSARILY MEAN THAT THE TOTAL PROJECT COSTS OR TOTAL INVESTMENTS IN THE PROJECT WOULD BE ELIGIBLE FOR SPECIFIC RISK INVESTMENT INSURANCE". NOTE CITES US/ RP EXCHANGE OF NOTES AND PROVISIONS OF US LEGISLATION TO SUPPORT VIEW THAT APPROVED CONSTRUCTION CONTRACTS MUST MEET CRITERIA ESTABLISHED IN US LEGISLATION IN ORDER TO QUALIFY FOR INVESTMENT GUARANTY INSURANCE AND THAT INTENT AND PURPOSE OF US LEGISLATION IS TO LEAVE DISCRETION TO HOST GOVERNMENT TO DETERMINE ELIGIBILITY FOR SPECIFIC RISK INVESTMENT INSURANCE. (NOTE BEING POUCHED.)

2. IN MEETING APRIL 4 WITH GERARDO SICAT, DIRECTOR GENERAL,
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NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA), SICAT VOICED TWO SPECIFIC RESERVATIONS TO ALLOWING FGA FOR CONTRACTORS WITHOUT SPECIFIC PROJECT APPROVAL. FIRST, HE WOULD LIKE TO RECEIVE LEGAL MEMORANDUM FROM OPIC EXPLAINING OPIC' S STATUTORY AUTHORITY TO INSURE CONTRACTORS WITHOUT SPECIFIC PROJECT APPROVAL, I. E., LEGAL AUTHORITY FOR AUTO-MATIC INSURANCE PROCEDURE. SECOND, HE WOULD LIKE ASSURANCE THAT HE WOULD BE INFORMED OF AN OPIC BINDER AT TIME OF ISSUANCE AND FOLLOW- UP NOTIFICATION OF WHETHER OR NOT OPIC INSURANCE IS ISSUED. REQUEST WASHINGTON RESPONSE TO MEET SICAT' S WISHES.

3. RE PHILIPPINE GEOTHERMAL INC. (PGI), SICAT NOTED GOP SUPPORTS PGI PROJECT AND HE AGREES IN PRINCIPLE TO FGA FOR THE DEFICIT BETWEEN EXPENDITURES AND RECEIPTS ON THE SERVICE CONTRACT. SICAT CANNOT ISSUE FGA UNTIL PGI ANSWERS HIS LETTER OF AUGUST 30, 1972 REQUESTING SPECIFIC AMOUNT OF INSURANCE APPLIED FOR AS WELL AS THE SOURCE OF INVESTMENT. SICAT RECOGNIZES THERE IS PROBLEM IN STATING SPECIFIC TOTAL AMOUNT OF INSURANCE BUT WISHES FULL STATEMENT OF FACTS WITH WHATEVER SPECIFICITY MAY BE POSSIBLE.

4. MR DEL PYLE, PGI REPRESENTATIVE IN MANILA, STATED ON APRIL 4 HE WOULD SEND COPY OF PGI' S FORMAL APPLICATION TO SICAT IMMEDIATELY. WE HOPE PGI FORMAL APPLICATION WILL ANSWER SICAT' S QUESTIONS.
BYROADE

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*** Current Classification *** UNCLASSIFIED

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